

1 UNITED STATES DISTRICT COURT

2 DISTRICT OF PUERTO RICO

3 In Re:) Docket No. 3:17-BK-3283 (LTS)

4)

5) PROMESA Title III

6 The Financial Oversight and)

7 Management Board for)

8 Puerto Rico,) (Jointly Administered)

9)

10 *as representative of*)

11)

12 The Commonwealth of)

13 Puerto Rico, *et al.*) June 17, 2022

14)

15 Debtors,)

16 In Re:) Docket No. 3:17-BK-3567 (LTS)

17)

18) PROMESA Title III

19 The Financial Oversight and)

20 Management Board for)

21 Puerto Rico,) (Jointly Administered)

22)

23 *as representative of*)

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25 The Puerto Rico Highways)

and Transportation)

Authority,)

Debtors,)

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DISCLOSURE STATEMENT HEARING

BEFORE THE HONORABLE U.S. DISTRICT JUDGE LAURA TAYLOR SWAIN

UNITED STATES DISTRICT COURT JUDGE

AND THE HONORABLE U.S. MAGISTRATE JUDGE JUDITH GAIL DEIN

UNITED STATES DISTRICT COURT JUDGE

APPEARANCES:

ALL PARTIES APPEARING TELEPHONICALLY

For The Commonwealth
of Puerto Rico, *et al.*: Mr. Martin J. Bienenstock, PHV
Mr. Brian S. Rosen, PHV
Mr. Steve Ma, PHV

For The Vazquez
Velazquez Group: Mr. John Mudd, Esq.

Proceedings recorded by stenography. Transcript produced by CAT.

1	I N D E X	
2	WITNESSES:	PAGE
3	None.	
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5	EXHIBITS:	
6	None.	
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1 San Juan, Puerto Rico

2 June 17, 2022

3 At or about 9:40 AM

4 * * *

5 THE COURT: Good morning. This is Judge Swain
6 speaking. Would the courtroom deputy please announce the
7 case?

8 COURTROOM DEPUTY: Good morning, Your Honor.

9 The United States District Court for the District of
10 Puerto Rico is now in session. The Honorable Laura Taylor
11 Swain presiding. Also present, the Honorable Magistrate Judge
12 Judith Dein. God save the United States of America and this
13 Honorable Court.

14 *In re: The Financial Oversight and Management Board*
15 *for Puerto Rico, as representative of the Commonwealth of*
16 *Puerto Rico, et al.,* PROMESA, Title III, Case No.
17 2017-BK-3283; *In re: The Financial Oversight and Management*
18 *Board for Puerto Rico, as representative of the Puerto Rico*
19 *Highways and Transportation Authority,* PROMESA, Title III,
20 Case No. 2017-BK-3567, for Disclosure Statement Hearing.

21 THE COURT: Thank you.

22 I will ask everyone's patience for just one moment.

23 Thank you all for your patience. Buenos dias and
24 welcome, counsel, parties in interest, and members of the
25 public and press. Today's hearing concerns the Oversight

1 Board's request for approval of the Disclosure Statement for
2 the Amended Title III Joint Plan of Adjustment for the Puerto
3 Rico Highways and Transportation Authority -- I'm sorry, for
4 approval of the Disclosure Statement for the Second Amended
5 Title III Plan of Adjustment for the Puerto Rico Highways and
6 Transportation Authority, as well as procedures, deadlines,
7 and hearing dates related to that Disclosure Statement and the
8 proposed Plan of Adjustment. Magistrate Judge Dein and I will
9 be presiding jointly for the discovery and confirmation
10 procedures portion of the agenda.

11 To ensure the orderly operation of today's virtual
12 hearing, once we turn to our agenda items, I'll ask that the
13 parties appearing by Zoom turn off their microphones when
14 they're not speaking and turn off their video cameras if
15 they're not directly involved in the presentation or argument;
16 and, as usual, when you need to speak, turn your camera on,
17 and unmute the microphone on the Zoom screen.

18 I do remind everyone that, consistent with court and
19 Judicial Conference policies, and the orders that have been
20 issued, no recording or retransmission of the hearing is
21 permitted by anyone, including, but not limited to, the
22 parties, members of the public, and members of the press.
23 Violation of this rule may be punished with sanctions.

24 I'll call on each speaker during the proceeding.
25 When I do, please turn your camera on, unmute yourself, and

1 identify yourself by name for clarity of the record if you're
2 not already on screen as part of the calendar matter. I may
3 permit other parties in interest to address briefly any issues
4 raised during the presentations that require further remarks.
5 If you wish to be heard under these circumstances, please use
6 the "raise hand" feature of the Zoom screen, which can be
7 accessed by selecting the reactions icon in the tool bar
8 located at the bottom of the screen. If anyone has any
9 difficulty hearing me or another participant, please use the
10 "raise hand" feature immediately.

11 For those interested, the Agenda, which was filed as
12 Docket Entry No. 21254 in Case No. 17-3283, is available to
13 the public at no cost on Prime Clerk. Although Prime Clerk
14 has now been renamed Kroll Restructuring Administration, the
15 Prime Clerk website, addresses, and telephone numbers are
16 still operational.

17 I encourage each speaker to keep track of his or her
18 own time as allotted on the Agenda; and the Court will also
19 keep track of the time, and will alert each speaker when there
20 are two minutes remaining with one buzz, and when time is up,
21 with two buzzes. Here's an example of the buzz sound.

22 (Sound played.)

23 THE COURT: This morning we will proceed until 12:50
24 PM Atlantic Standard Time. If necessary, we'll resume from
25 2:10 PM to 5:00 PM, and if we need to take a break, the

1 telephone listen-only participants should keep their lines
2 open on the AT&T line during the break. Please turn your
3 cameras off now, unless you are on the agenda for the first
4 item, which is the objection to the Disclosure Statement.

5 Good morning, counsel. We are now going to hear
6 argument on the objections of the Vazquez Velazquez Group to
7 the proposed Disclosure Statement. I first have allocated 15
8 minutes for counsel for the Oversight Board.

9 Good morning. Please identify yourself.

10 MR. ROSEN: Good morning, Your Honor. Brian Rosen of
11 Proskauer Rose on behalf of the Oversight Board, and with me
12 this morning is Mr. Steve Ma. We will be handling the two
13 items which are on the agenda this morning. I will handle the
14 first one. Mr. Ma will handle the second one.

15 THE COURT: Good morning, Mr. Rosen, and good morning
16 in advance, Mr. Ma.

17 MR. ROSEN: Your Honor, the filing of the HTA Plan,
18 and the Disclosure Statement, and the corresponding process is
19 another step along the path of the mediation process that
20 culminated in the confirmation and consummation of the Plan of
21 Adjustment for the Commonwealth, ERS, and PBA. Specifically,
22 Your Honor, as part of those efforts, on May 5 of 2021, the
23 Oversight Board, Assured, National, and certain holders of
24 HTA, PRIFA and CCA -- CCDA bonds executed a plan support
25 agreement that provided for, among other things, the treatment

1 of clawback claims pursuant to the Commonwealth Plan of
2 Adjustment, and outlined the treatment of bond claims against
3 HTA.

4 This PSA, Your Honor, was subsequently joined by
5 multiple additional parties, including Monoline insurers,
6 Ambac and FGIC, and even DRA, pursuant to a stipulation dated
7 November 5, 2021, that was approved by this Court. Following
8 the Court's consideration and confirmation of the Commonwealth
9 Plan of Adjustment, that plan was consummated on March 15th of
10 2022, and shortly thereafter, Your Honor, on May 2nd, the FOMB
11 filed the HTA Plan of Adjustment and a Disclosure Statement.

12 Actually, Your Honor, we have already filed several
13 iterations since. There was an amended one, and there has
14 been a second amended one as well, Your Honor. And I promise
15 you I will not get up to the modified eighth amended like I
16 did in connection with the Commonwealth Plan of Adjustment.

17 With the filing, Your Honor, of the Plan and the --
18 the first Plan and the Disclosure Statement, we also filed the
19 motions which are on the calendar this morning. The first
20 motion seeks approval of the Disclosure Statement and the
21 adequacy of the information contained therein, as well as the
22 various dates and procedures associated with the solicitation
23 and the non-solicitation of acceptances and rejections to the
24 Plan of Adjustment. And by that I mean, Your Honor, there are
25 certain classes to the Plan of Adjustment that are non-voting

1 classes, and we merely seek approval of the notices of
2 non-voting status, as well as the notices associated with the
3 Confirmation Hearing itself.

4 Your Honor, the procedures, they are outlined in the
5 motion, and these are the same procedures that the Court
6 authorized in connection with the Commonwealth Plan of
7 Adjustment. Your Honor, as mentioned, the motion contains a
8 proposed calendar of events in connection with the
9 solicitation, and these are set forth, Your Honor, on pages
10 six and seven of the motion itself. Unless the Court wants me
11 to, Your Honor, I think we'll just leave them there, and I
12 won't run through each and every one of them, because other
13 than the date associated with the Confirmation Hearing itself,
14 which we had listed as proposed to be August 10, and
15 subsequently we discussed with the Court in the calendar -- it
16 would be on August 17th instead of August 10th, but otherwise,
17 Your Honor, the dates remain the same except as we will modify
18 them associated with the confirmation discovery procedures as
19 the Court is already aware.

20 And we filed a revised notice there, and Mr. Ma will
21 deal with that subsequently.

22 THE COURT: Yes. Thank you. It is not necessary to
23 run through all of the dates on the confirmation calendar, and
24 thank you for reiterating and making clear that the date for
25 the Confirmation Hearing itself has moved.

1 MR. ROSEN: Thank you, Your Honor.

2 With respect to the adequacy of the information
3 contained in the Disclosure Statement, the motion contains a
4 checklist of items. And as detailed in the motion, Your
5 Honor, we believe that the Disclosure Statement satisfies the
6 applicable standard. This is supported by the fact that in
7 response to the motion, only three pleadings were filed, Your
8 Honor. The first two were merely reservation of rights, the
9 first by the unsecured creditors --

10 THE COURT: I'm sorry. Mr. Rosen, I am going to ask
11 you to pause for a moment, because there is a hand up, and
12 unfortunately I can't see -- whose hand is up?

13 Mr. Ma's hand is up. Mr. Ma.

14 MR. MA: Sorry, Your Honor. I apologize for
15 interrupting, but it appears that the AT&T line is still on
16 hold.

17 THE COURT: Oh. We'll take a moment until we get
18 that straightened out.

19 (Pause in proceedings.)

20 (Proceedings reconvened.)

21 THE COURT: This is Judge Swain speaking. We are
22 continuing to have some technical difficulties with the AT&T
23 line, and so we will resume the hearing, going back to the
24 beginning of the argument in support of the Disclosure
25 Statement Motion, once we have the AT&T line up. I hope that

1 will be within a few minutes. Thank you all for your
2 patience.

3 (Pause in proceedings.)

4 (Proceedings reconvened.)

5 THE COURT: I have just been told that the AT&T line
6 is up, so we have overcome the technical difficulties.
7 Greetings to those who have called in to listen to this
8 hearing. This is Judge Swain speaking. I apologize for the
9 delay in having you join the hearing, which is in progress.

10 We have just reached the matter in which we are
11 considering and hearing argument on the Disclosure Statement
12 for the Amended Title III Plan of Adjustment for the Puerto
13 Rico Highways and Transportation Authority and Solicitation
14 Procedures Motion. The proceedings before you came on were
15 all literally procedural about the operation of the Zoom
16 hearing, and so I will not repeat those.

17 I will, however, caution everyone that in accordance
18 with Judicial Conference policies and the orders that have
19 been issued, there is to be no recording or retransmission of
20 this hearing by anyone, including parties in interest, the
21 public, and members of the press. I'm going to take a pause
22 again for a minute, because we are having another technical
23 problem. So sorry.

24 (Pause in proceedings.)

25 (Proceedings reconvened.)

1 THE COURT: Good morning again. There is apparently
2 a problem with the access or activation code for the AT&T
3 line, and so we are working with AT&T to try to make this
4 work. I understand that there are people who are on hold
5 trying to hear, so we're going to give this repair effort ten
6 more minutes, and I hope that within ten minutes the people on
7 the AT&T line will be able to join us. If not, we will go
8 ahead.

9 Thank you all for your patience. So we will
10 reconvene at 10:25 to go forward. Thank you.

11 (At 10:14 AM, recess taken.)

12 (At 10:25 AM, proceedings reconvened.)

13 THE COURT: Good morning again Zoom participants. We
14 have not been able to resolve the AT&T problem yet, but we
15 have put into the chat a Zoom dial-in and access code that you
16 are free to share with anyone who's trying to dial in. That
17 seems to be the best we can do at this point.

18 Because recording and retransmission are still
19 prohibited, we are asking that you don't conference or relay
20 this, or whatever it is that might be. You can just give
21 people that phone number.

22 We will proceed at this point, and anyone who dials
23 in, and anyone on the AT&T line will join us in progress. I
24 deeply regret that we are having the problems that we're
25 having this morning.

1 So we will recommence with the contested matter,
2 which is the Oversight Board's motion for approval of the
3 Disclosure Statement for the Amended Title III Plan of
4 Adjustment for the Puerto Rico Highways and Transportation
5 Authority and Solicitation Procedures Motion, and we will
6 begin the arguments with Mr. Rosen for the Oversight Board.

7 MR. ROSEN: Good morning, Your Honor. Brian Rosen,
8 Proskauer Rose, on behalf of the Oversight Board. And again,
9 Your Honor, Mr. Steve Ma is with me as well, although he's out
10 in Los Angeles, and he will be handling the second motion
11 which is on the agenda this morning.

12 Your Honor, as you are well aware, the Plan, and the
13 Disclosure Statement, and the corresponding process is another
14 step in the mediation that the Court authorized way back when,
15 Your Honor. Specifically, that process lead to the
16 confirmation and consummation of the Plan of Adjustment for
17 the Commonwealth, ERS, and PBA. And in connection with that,
18 Your Honor, on May 5th of 2001, the parties, the FOMB,
19 Assured, National, and certain holders of indebtedness of HTA,
20 CCDA, and PRIFA executed a plan support agreement which
21 provided for, among other things, the treatment for clawback
22 claims pursuant to that Commonwealth Plan of Adjustment. And
23 it also outlined a treatment for the bonds that were issued by
24 HTA.

25 So, Your Honor, excuse me, that PSA was subsequently

1 joined by --

2 (Indiscernible sound.)

3 MR. ROSEN: I don't know if it's okay, Your Honor --

4 THE COURT: Whoever is on an audio line, please mute
5 yourself, but I think we've also managed to mute it.

6 Please continue, Mr. Rosen.

7 MR. ROSEN: Thank you, Your Honor.

8 That Plan Support Agreement, Your Honor, was
9 subsequently joined by many additional parties, because we had
10 offered the opportunity for joinders at that time, and it was
11 also very much important to the process. It was joined by two
12 monoline insurers, Ambac and FGIC, and even thereafter, Your
13 Honor, on November 5th, it was joined by DRA pursuant to a
14 stipulation that got approved by the Court.

15 Your Honor, that lead to ultimately the confirmation
16 and consummation of the Commonwealth Plan, and that took place
17 on March 15th of 2022. Your Honor, shortly thereafter, on May
18 2nd of this year, the Oversight Board filed the HTA Plan of
19 Adjustment, the first Plan of Adjustment, I would say, and a
20 corresponding Disclosure Statement. And as I have mentioned
21 before, Your Honor, we have subsequently filed an Amended Plan
22 and a Second Amended Plan. And later on today, Your Honor, we
23 will probably file a Third Amended Plan which contains just
24 non-substantive points that have been relayed to us by various
25 creditors, just to clean up some typographical errors or

1 references in the Plan itself.

2 Your Honor, with the filing of that first Plan and
3 Disclosure Statement, we filed the instant motions, which are
4 on the calendar for today. The first motion, Your Honor, is
5 with respect to the approval of the Disclosure Statement
6 hearing, and the adequacy of the information that is contained
7 therein, as well as the various dates and procedures
8 associated with the solicitation and non-solicitation of
9 acceptances to the Plan. All of these, Your Honor, are
10 outlined in the first motion that I was referring to, and the
11 procedures themselves, Your Honor, are the same procedures
12 that the Court authorized in connection with approval of the
13 Disclosure Statement and solicitation process for the
14 Commonwealth Plan of Adjustment.

15 Likewise, Your Honor, all of the dates that we have,
16 that we believe are applicable for the solicitation process
17 are outlined on pages six and seven of the motion, and I'll
18 allow those to be left for the record of the Court, because I
19 don't think we need to go one by one here, Your Honor.

20 With respect to the adequacy of the information that
21 is contained in the Disclosure Statement, the checklist of
22 items is set forth in the motion, and as detailed there, Your
23 Honor, we believe that the Disclosure Statement satisfies the
24 applicable standard. And, Your Honor, I don't believe there
25 is any better evidence of that than the fact that there have

1 | been only three pleadings that were filed in response to the
2 | motion with respect to the adequacy of the information
3 | contained. Two of those pleadings, Your Honor, were merely
4 | reservation of rights and, actually, statements of support for
5 | the Disclosure Statement and the Plan itself. Those were
6 | filed by the Unsecured Creditors Committee and also by
7 | Assured, one of the monolines.

8 | The third pleading, Your Honor, was filed by what we
9 | refer to as the Velazquez Group. It is a group of
10 | individuals represented by Mr. Mudd, and they are -- excuse me
11 | -- they have commenced litigation against HTA with respect to
12 | a rescinded compensation plan.

13 | The Velazquez Group, Your Honor, suggests that the
14 | Disclosure Statement should not be approved and the HTA Plan
15 | not be confirmed, because the Disclosure Statement does not
16 | adequately describe the risks associated with the
17 | non-dischargeability of their claims, and the Plan of
18 | Adjustment does not provide a separate class for their claims
19 | if they are, in fact, determined to be non-dischargeable.

20 | Your Honor, as we set forth in our reply, the
21 | objection should be overruled on several bases. First, Your
22 | Honor, the Disclosure Statement already discusses the risks
23 | associated with non-dischargeability at page 293 of the
24 | Disclosure Statement, and this is set forth, Your Honor, the
25 | text of all of that, Your Honor, is set forth on page seven of

1 our reply. And I won't repeat it here.

2 Your Honor, therein, though, we discussed the
3 probability or the possibility of non-confirmability, or the
4 need -- based upon non-dischargeable claims, or the need for
5 plan modification in the event that there is a
6 non-dischargeable claim. So we believe that that initial
7 objection by the Velazquez Group is already adequately
8 discussed. But notwithstanding that, Your Honor, and as we
9 set forth on page eight of our reply, we will also include
10 language in the Disclosure Statement which goes through or
11 details the history of the Velazquez litigation. Notably,
12 Your Honor, we go through the dismissal of claims that the
13 Velazquez Group brought, that dismissal by the District Court,
14 and the subsequent appeal by the Velazquez Group to the First
15 Circuit, which was I believe, Your Honor, already briefed and
16 it is -- that is pending a decision by the First Circuit.

17 More importantly, Your Honor, the issue that has been
18 raised regarding confirmability of the Plan is the same issue
19 that was raised in connection with the Commonwealth Disclosure
20 Statement Hearing, and it was denied, Your Honor. And in
21 paragraph 20 of our reply, Your Honor, we quote the Court in
22 response to those, and I'll do it again here, Your Honor.
23 Specifically, the Court said in that transcript, "to the
24 extent that several objectors complained that certain claims
25 are not dischargeable, be they constitutional claims, claims

1 arising under federal law, or administrative expense claims,
2 the Court has thoroughly considered the objections, and
3 overrules them in connection with this Disclosure Statement
4 Motion practice, because such objections challenge the
5 confirmability of the Plan, and none of them poses a pure
6 question of law that would render a confirmation futile or
7 unfeasible at this stage."

8 Your Honor, we believe that ruling, that decision by
9 the Court is the same ruling that should be reached here.
10 There is nothing unique about these claims, and we believe
11 that the non-dischargeability is something that, if it is in
12 fact important, will be something that the Court will take up
13 at the confirmation hearing.

14 Your Honor, as I mentioned, we have received several
15 non-substantive comments to the Plan, and we do intend to file
16 a third amended Plan later today. Your Honor, to the extent
17 the Court is request -- has any inserts that it would like to
18 include in the Disclosure Statement, we would of course file
19 an amended Disclosure Statement to include that information as
20 well.

21 As per the motion, Your Honor, the goal is to serve
22 all solicitation packages within ten days of entry of an order
23 authorizing or approving the adequacy of the information
24 contained in the Disclosure Statement, and authorizing the
25 solicitation packages to be distributed, with voting to close

1 on July 27th, and a confirmation hearing to occur on August
2 17th.

3 Your Honor, unless the Court has any questions or
4 comments, we would rest upon our papers and the Disclosure
5 Statement itself, reserving any additional time for rebuttal.

6 THE COURT: Thank you, Mr. Rosen. I don't have
7 further questions or comments now. Actually, I'll take that
8 back. I will ask you a couple of questions.

9 I also note that I have been told that the AT&T line
10 is up now. Greetings to those who were patiently waiting on
11 the AT&T line. We are in the midst of argument on the motion
12 for approval of the Disclosure Statement and Solicitation
13 Procedures, and I will just repeat one aspect of my procedural
14 greeting this morning, which is that no recording or
15 retransmission of the proceeding is allowed. Thank you for
16 letting me take that little break to say that.

17 So now, going back to Mr. Rosen, is it your position
18 or do you take a position at this point that the Velazquez
19 Group's claim is, in fact, one that is covered by the general
20 unsecured claim definition and Class 16?

21 You're muted, Mr. Rosen.

22 MR. ROSEN: Sorry, Your Honor.

23 First, I would say that we don't believe that the
24 Velazquez Group even has a claim based upon the dismissal by
25 the District Court, although technically it is still a

1 | disputed claim, but we don't believe that they have a pending
2 | claim anymore. With respect to -- in response to your
3 | question, yes, we believe it would fall into the general
4 | unsecured category.

5 | THE COURT: And if it happens that their claim is
6 | revived on appeal, and there is a determination that the
7 | claims are non-dischargeable, would that materially affect the
8 | feasibility of the proposed amended Plan of Adjustment for
9 | HTA?

10 | MR. ROSEN: No, Your Honor. The amount that is
11 | asserted in there is a little bit in excess of \$200,000. That
12 | will not affect feasibility of the Plan.

13 | THE COURT: Thank you, Mr. Rosen.

14 | I'll now turn to counsel for the Velazquez Group.
15 | Mr. Mudd, would you introduce yourself?

16 | MR. MUDD: Good morning, Your Honor, and to everybody
17 | at the court. First of all, happy Father's Day to all the
18 | fathers and all the mothers who are also fathers.

19 | Your Honor, I have -- I want to clarify a couple of
20 | things. Mr. Rosen of course is not the attorney handling the
21 | appeal, but in this case the brief is due on July the 5th, and
22 | obviously 30 days after is the brief for the defendant, which
23 | is the HTA. However, yesterday I spoke with the attorney for
24 | the case, who has a certain personal problem which I will not
25 | go into, and he will seek an extension of 30 days. So the

1 decision on this case, given my experience with the First
2 Circuit, et cetera, is probably going to be sometime next
3 year.

4 Now let's go directly to our point. I agree in part
5 with the Board that this is really an objection to the Plan.
6 I disagree with them in terms that the Disclosure Statement
7 does not go specifically into this class, and this, the --
8 what they mention about the dischargeability or new classes is
9 so general that it really doesn't go into it. So I think that
10 the Court could approve very easily this Disclosure Statement
11 with the caveat that if, as you well say, the dischargeability
12 is decided in our favor and the appeal is decided in our
13 favor, and later on, because the appeal is won, we still have
14 to win the trial, then they would have to amend the Plan of
15 Adjustment and the Disclosure Statement.

16 Having said that, did you want me to go into the
17 issue of dischargeability, or do we leave that for the Plan of
18 Adjustment?

19 THE COURT: The dischargeability issue really is one
20 for the Plan of Adjustment, but I -- are you saying that the
21 language that indicates that if claims are found to be
22 non-dischargeable, the Plan could be unconfirmable -- I don't
23 have the precise language in front of me -- that that's
24 inadequate to convey that the Plan, as currently structured,
25 doesn't account for non-dischargeable claims since yours is a

1 claim -- your client's claim is one that you contend is
2 non-dischargeable?

3 MR. MUDD: Yes, that's my point, Your Honor. It's so
4 general that it doesn't go specifically into this -- into what
5 we're dealing with.

6 THE COURT: So, in the reply papers, the debtor has
7 proposed three additional paragraphs that specifically speak
8 to your group's claim.

9 MR. MUDD: Uh-huh.

10 THE COURT: Do you have any specific problem with
11 that language, or is that -- does that make it sufficient to
12 provide adequately for disclosure of the risk associated with
13 your client group's claim?

14 MR. MUDD: I have a problem there, Your Honor. I
15 don't remember right now, I'll be very clear, the amount --
16 because I was not the attorney dealing with that, the amounts
17 that are in the proofs of claim. However, we have to
18 understand that this is a group of 169 plaintiffs, and in
19 terms of economic damages, I know it's over eight million
20 dollars. And if --

21 THE COURT: I'm sorry. You say that you know that it
22 is what?

23 MR. MUDD: The economic damages in the case are well
24 over eight million dollars right now, and a jury could grant
25 them, let's say, a hundred thousand dollars per person.

1 That's 16.9 million dollars right there.

2 So the amounts in the proofs of claim not necessarily
3 are what the jury would award here, and in the contingency --
4 not a contingency, but in a case such as this in which you
5 don't know what a jury will provide or will give these
6 persons, you really can't say that -- you know, you're limited
7 to what it says in the group Plan. So in that sense, I have a
8 problem. I don't remember, and Mr. Rosen I'm sure will
9 correct me, if in the statements that he placed in his
10 documents -- whether the amounts of the proofs of claim were
11 included.

12 THE COURT: Well, we'll let Mr. Rosen respond to that
13 when he replies.

14 So your concern is that if the Disclosure Statement
15 specifically speaks to a maximum amount of the claim, then you
16 would believe that that is either inadequate or misleading?

17 MR. MUDD: Correct.

18 THE COURT: Thank you.

19 Is there anything further that you wish to argue at
20 this point in connection with your objection, and, as I say,
21 you anticipated correctly that I will rule that the
22 classification issue is one for -- and the dischargeability
23 issues are ones for confirmation?

24 MR. MUDD: No, Your Honor, I have no further
25 argument.

1 THE COURT: Thank you. Then we'll return to
2 Mr. Rosen.

3 MR. ROSEN: Thank you very much, Your Honor.

4 With respect to the amount of damages, Your Honor, we
5 can only go by what they ask for, which is their proof of
6 claim, which is Proof of Claim No. 162573, asserts a claim of
7 \$218,917.08. So with respect to additional amounts that
8 Mr. Mudd may be looking for, or counsel who is actually
9 handling that litigation, I cannot speak to that. All I can
10 go to is what is in the registry of the Court, Your Honor,
11 based upon the proof of claim that they filed.

12 Your Honor, as I mentioned, we believe that page 293
13 of the Disclosure Statement already adequately describes
14 non-dischargeability and risks associated with it, and we've
15 suggested additional language associated with the Velazquez
16 Group itself. But, Your Honor, the first part of that is that
17 existing piece, as various parties have asserted or may assert
18 claims. I don't even mind Your Honor inserting in there a
19 comment, including without limitation the Velazquez Group,
20 just so Mr. Mudd is comfortable that we know about his clients
21 and that they are included in that group.

22 With respect to what amount ultimately may be
23 allowed, Your Honor, we still don't believe that affects
24 feasibility of the Plan. There is a sufficient reserve for
25 operating purposes and other purposes at HTA sufficient to

1 cover even the amount that Mr. Mudd now claims may be awarded
2 in the unlikely event that he can overcome the First Circuit
3 appeal and then at trial.

4 THE COURT: Thank you. So, if I take you up on your
5 offer of additional language, you will insert both the three
6 paragraphs that were in your reply and a parenthetical or
7 comment reference --

8 MR. ROSEN: Yes.

9 THE COURT: -- to the Velazquez plaintiffs in the
10 existing language on page 293?

11 MR. ROSEN: We will, Your Honor, yes.

12 THE COURT: Thank you.

13 Mr. Mudd, anything further at this time?

14 MR. MUDD: No. I would have no problem with what
15 Mr. Rosen is proposing, Your Honor.

16 THE COURT: Thank you.

17 So I will make an oral ruling now on the motion and
18 the objection.

19 Pending before the Court is the motion of the Puerto
20 Rico Highways and Transportation Authority for an order
21 approving Disclosure Statement, fixing voting record date,
22 approving confirmation hearing notice and confirmation
23 schedule, approving solicitation packages and distribution
24 procedures, approving forms of ballots and voting and election
25 procedures, approving notice of non-voting status, fixing

1 voting election and confirmation deadlines, and approving vote
2 tabulation procedures. That is at Docket Entry No. 20654 in
3 Case No. 17-3283, and Docket Entry No. 1167 in Case No.
4 17-3567. I will refer to it as the "Motion", which has been
5 filed by the Financial Oversight and Management Board for
6 Puerto Rico, which I will refer to as the "Oversight Board",
7 as representative of the Puerto Rico Highways and
8 Transportation Authority, which the Court will refer to as
9 "HTA", or the "Debtor."

10 I note that the Disclosure Statement and proposed
11 Plan have been modified since the motion was originally filed,
12 and as Mr. Rosen has indicated today, further non-substantive
13 modifications are expected to be filed shortly. So to the
14 extent I refer to the latest versions of the Disclosure
15 Statement and Plan of Adjustment, it will be to the most
16 recently filed version and corresponding Disclosure Statement,
17 taking the Debtor at its word that further changes are not
18 substantive.

19 The Court has considered carefully the Motion, the
20 objection to the Motion filed by the Velazquez Group of
21 Plaintiffs, the proposed Plan of Adjustment, and the arguments
22 made today. Today's principal question is whether the
23 proposed Disclosure Statement provides information sufficient
24 to permit a hypothetical creditor or investor to make an
25 informed judgment about the proposed Plan of Adjustment. That

1 standard is laid out in § 1125 of the Bankruptcy Code, Title
2 11 of the United States Code, § 1125. The Court will also
3 consider whether the objectors have demonstrated that the
4 proposed Plan is patently unconfirmable on its face.

5 The Velazquez Group argue that their claim, should
6 they be successful in challenging the dismissal, is not
7 dischargeable by a Plan of Adjustment, because the claim
8 purportedly arises under federal regulations related to
9 safety. The objectors, that being the Velazquez Group,
10 therefore argue that the proposed Plan of Adjustment cannot
11 include their claim in Class 16, which is HTA general
12 unsecured claims, because the proposed Plan of Adjustment
13 would impair the claims in that class.

14 This objection has not, however, demonstrated that
15 the proposed Plan is patently unconfirmable, and the parties
16 may litigate in connection with confirmation, if necessary,
17 whether the proposed classification and treatment of the
18 claims may differ from those of other general unsecured
19 claims. Thus, the objection does not raise issues that render
20 the Plan of Adjustment patently unconfirmable.

21 As to the adequacy of the Disclosure Statement, the
22 Oversight Board in its reply, which is filed at Docket Entry
23 No. 1227, has agreed to disclose further information
24 pertaining to the prepetition litigation, that being the
25 litigation pending that was initiated by the Velazquez Group

1 and is now on appeal, in an amended Disclosure Statement.

2 Having reviewed the proposed additional language, the Court is
3 satisfied that the objection does not present issues with
4 respect to which the Oversight Board has not met its burden of
5 demonstrating the adequacy of the proposed Disclosure
6 Statement.

7 I note that the Oversight Board has offered today to
8 insert a further clarifying parenthetical phrase in the
9 language that was printed at page 293 of the proposed
10 Disclosure Statement, and I will expect that that
11 parenthetical phrase will -- clarifying phrase will also be
12 added.

13 Accordingly, the objection is overruled without
14 prejudice to the objectors' rights to raise the arguments
15 therein in connection with the applicable Plan confirmation
16 objection procedures. No other objections have been filed,
17 and so, for the reasons stated in the Debtor's motion, as
18 supplemented, and the reasons stated on the record today, and
19 the reasons just reviewed by the Court, the Court finds that
20 the Disclosure Statement meets all applicable legal
21 requirements, and the Court approves the Disclosure Statement,
22 subject to the addition of the language regarding the
23 Velazquez Group claims.

24 The Court has also carefully considered the various
25 procedural aspects of the motion, which are all uncontested.

1 The Court will enter an appropriate order approving the
2 Disclosure Statement and the other requests in the motion,
3 including the request to approve the proposed solicitation and
4 balloting procedures, and related deadlines, forms, and
5 notices.

6 I direct the Oversight Board to submit a Word version
7 of its proposed order and accompanying exhibits, as well as
8 its filing on the record of the updated proposed amended Plan
9 and Disclosure Statement, both reflecting revisions as
10 necessary to incorporate any changes to the Order approving
11 the discovery and confirmation procedures motion that we will
12 discuss in the next section of the Agenda.

13 The Court reserves the right to make non-substantive
14 corrections in this oral ruling when it is transcribed.

15 Counsel, anything further to this motion before we
16 move to the next item on the Agenda?

17 MR. ROSEN: No, Your Honor. Thank you very much.

18 As I indicated, we intend to file all of these things
19 later today, and provide you with the Word version of that
20 order with the exhibits. Thank you.

21 THE COURT: Thank you, Mr. Rosen, and thank you,
22 Mr. Mudd.

23 MR. ROSEN: Your Honor, I'll now turn the hearing
24 over to Mr. Ma for the second motion.

25 THE COURT: Yes. We are now moving to Agenda Item

1 II.1, which is the Discovery and Confirmation Procedures
2 Motion. Magistrate Judge Dein will co-preside with me with
3 respect to this aspect of today's proceedings.

4 Good morning, Magistrate Judge Dein.

5 MAGISTRATE JUDGE DEIN: Good morning.

6 THE COURT: So, Mr. Ma, I understand that you will be
7 speaking for the Oversight Board. You will confirm this, but
8 to the Court's knowledge, there have been no objections
9 filed.

10 MR. MA: (Nodding head up and down.)

11 THE COURT: However, the Court has requested that the
12 Oversight Board make certain changes in the original proposed
13 order, and a further update has been filed. At this point, I
14 turn it over to you, Mr. Ma.

15 MR. MA: Thank you, Your Honor.

16 Steve Ma of Proskauer Rose for the Financial
17 Oversight and Management Board for Puerto Rico, as Title III
18 representative of HTA.

19 And Your Honor is correct that there have been no
20 objections to the confirmation discovery procedures, and as
21 the Court is aware, the Oversight Board filed a further
22 revised proposed Confirmation Discovery Procedures Order on
23 June 15th at ECF No. 1235 in the HTA case to address the
24 Court's comments and questions in its June 14th order. And we
25 thank the Court for entering that order to provide us Your

1 Honor's comments and questions in advance.

2 We made a number of revisions to the proposed order
3 to address the Court's concerns. I would just note for the
4 Court that we intend to file a further revised proposed order
5 following the conclusion of this hearing, to include some
6 conforming and clarifying revisions, and of course any
7 additional comments the Court may have to the proposed order.
8 I would just like to walk the Court through a couple of those
9 revisions we intend to make.

10 First, with respect to the procedures and deadlines
11 for the service of production requests, in the revised
12 proposed order we filed on June 15th, we moved the deadline
13 for the service of production requests from July 11th to July
14 1st, and provided that parties may serve up to one additional
15 round of requests. Our intent was for parties to consolidate
16 production of requests to be made on or before July 1st, with
17 such parties that have made an initial request to be able to
18 make one additional request on or before July 11th to cover
19 anything they may have missed.

20 To clarify that procedure, in paragraph 11 of the
21 proposed order, we propose replacing the reference to July 11,
22 2022, in the third line, to state the following: "July 1st,
23 2022; provided however if a party in interest has served a
24 production request on or before July 1st, 2022, such party in
25 interest may serve one additional production request on or

1 before July 11, 2022."

2 Similarly, we'd also propose clarifying paragraph 11
3 in the proposed order to replace sub-bullet B and the
4 remainder of the paragraph, which discusses the number of
5 production requests that may be made with the following: "A
6 party from serving up to two production requests in advance --
7 in accordance with the applicable deadlines established
8 pursuant to this Order."

9 Finally, we inadvertently deleted from the summary
10 deadline chart the deadline for all parties to file any
11 witness declarations, and we'll be adding that back in as
12 August 7th. And we would just make a correction to paragraph
13 5 to reference August 7th instead of August 10th.

14 Those are some of the proposed revisions I wanted to
15 highlight for the Court, and we'll just have some additional
16 minor conforming revisions in what we file. And at this
17 point, I'm happy to answer any questions the Court may have.
18 Thank you.

19 THE COURT: Thank you, Mr. Ma.

20 We did notice that there were various
21 inconsistencies, and some scrivener's errors, and those, the
22 inconsistencies or need for clarification included the two
23 that you have enumerated. There are a couple of additional
24 ones that I will review in remarks at the end of our colloquy,
25 and ask you to incorporate into the further revision of the

1 proposed order.

2 Judge Dein, do you have any comments or questions for
3 Mr. Ma?

4 MAGISTRATE JUDGE DEIN: No, not beyond what I believe
5 will be incorporated in your comments at the end.

6 THE COURT: All right. Then give me just a moment
7 here.

8 So I will again make an oral ruling with some
9 direction to the Debtor, and I reserve the right to make
10 non-substantive corrections in the transcript as necessary.

11 Before the Court is the Motion of the Puerto Rico
12 Highways and Transportation Authority for an Order
13 Establishing, Among Other Things, Procedures and Deadlines
14 Concerning Objections to Confirmation and Discovery in
15 Connection Therewith that is filed as Docket Entry No. 20655
16 in Case No. 17-3283, and Docket Entry No. 1168 in Case No.
17 17-3567. I'll refer to it as the "Confirmation and Discovery
18 Procedures Motion."

19 On June 14th, 2022, the Court entered its Order
20 regarding, proposed Order Establishing, Among Other Things,
21 Procedures and Deadlines Concerning Objections to Confirmation
22 and Discovery in Connection Therewith at Docket Entry No.
23 21242 in Case No. 17-3283, and Docket Entry No. 1231 in Case
24 No. 17-3567, directing the Oversight Board to respond to
25 certain preliminary questions concerning the proposed order

1 for the Confirmation and Discovery Procedures Motion.

2 On June 15th, 2022, the Oversight Board filed its
3 Notice of Filing of Revised Proposed Order Establishing, Among
4 Other Things, Procedures and Deadlines Concerning Objections
5 to Confirmation and Discovery in Connection Therewith at
6 Docket Entry No. 21251 in Case No. 17-3283, and Docket Entry
7 No. 1235 in Case No. 17-3567, which I'll refer to as the
8 "Revised Proposed Discovery Order", responding to the Court's
9 questions and providing modifications to the revised -- to the
10 proposed discovery order.

11 The Court has considered carefully the Confirmation
12 and Discovery Procedures Motion and the Revised Proposed
13 Discovery Order, which are uncontested. Subject to further
14 revisions discussed by Mr. Ma, and, in addition, those
15 outlined below, the Court grants the Confirmation and
16 Discovery Procedures Motion.

17 I will now make certain rulings and direct
18 clarifications in response to and in reference to the Revised
19 Proposed Discovery Order. The Court's intention was to detail
20 these additional requested changes in an order that would be
21 filed this afternoon, but let's see after I finish these
22 remarks. Mr. Ma, I think you'll get the point, and I think
23 it's probably not necessary for us to take that additional
24 step, unless Judge Dein feels otherwise.

25 So you have already discussed and undertaken to

1 clarify paragraph 5 regarding the filing of witness
2 declarations, and you have also undertaken to clarify and
3 amend paragraphs 2 and 11, relating to the deadline to serve
4 production requests and additional -- one additional
5 production request by a party who met the original deadline.
6 My notes include that there would also be needed in that
7 connection a conforming change in paragraph 12, so I would
8 just ask you to look at paragraph 12 and make any additional
9 conforming change that would be necessary.

10 In paragraph 13, it appears that there is a need for
11 an addition of the deadline for parties in interest to serve
12 interrogatories, which is July 8th, 2022, and so I direct you
13 to make that change.

14 Then, with respect to the deadline for parties in
15 interest to serve admission requests, which is July 18th,
16 2022, with a response deadline of four days, the Court is
17 directing the Board to add that deadline to paragraph 14, and
18 revise paragraph 14 to the extent necessary to be consistent
19 with this ruling.

20 Paragraph 16 should be amended to reflect the limit
21 on depositions of one day of seven hours unless otherwise
22 agreed to by the parties or directed by the Court, and
23 paragraphs 22 and 23 should be revised to require that the
24 opening expert reports and rebuttal expert reports containing
25 confidential information shall have a copy provided to the

1 Court, as well as a copy provided to the Oversight Board, for
2 addition to the discovery depository.

3 I believe that that covers the outstanding specific
4 changes that we feel it is necessary to make, and of course we
5 ask you to make any further corrections to scrivener's errors
6 or conforming changes that may be necessary.

7 Judge Dein, is there anything that I should have
8 mentioned?

9 MAGISTRATE JUDGE DEIN: I just have a couple little
10 things. I'm not sure they're still at issue, but in paragraph
11 14 it says "responses within four business days." I'm not
12 sure "business days" is right, as opposed to just "days" to be
13 consistent.

14 THE COURT: So would you clarify that and make that
15 consistent?

16 MR. MA: Yes. We intended for that to be business
17 days, so we'll clarify that in the summary chart.

18 MAGISTRATE JUDGE DEIN: Okay. Then I didn't quite
19 get it, but did you take out the reference that says that
20 production requests will be served with sufficient time to
21 permit responses to be served in accordance with the
22 applicable Rules of Civil Procedure? I think that was in that
23 chart.

24 To the extent that there's a timeline that's in
25 accordance with the applicable Rules of Civil Procedure, it's

1 too long, so if that's still in there, it should come out.

2 MR. MA: Okay. We'll make that change. Thank you.

3 MAGISTRATE JUDGE DEIN: That's all I have.

4 THE COURT: Thank you, Judge Dein, and thank you,
5 Mr. Ma.

6 I'll just continue with a few more remarks in
7 resolution of this motion. Just one moment.

8 So the Board must provide the Court with a Word
9 version of the further amended final proposed order, and must
10 make any necessary changes to the Confirmation Hearing Notice
11 to ensure that that notice is consistent with the final
12 deadlines and procedures for confirmation and discovery.

13 I note that, as ordered at Docket Entry No. 21246 in
14 Case No. 17-3283, and Docket Entry No. 1232 in Case No.
15 17-3567, I've referred all discovery matters related to or
16 arising out of the Disclosure Statement and the HTA Plan to
17 Judge Dein.

18 The Court will hold a pretrial conference on August
19 8th of 2022 to address evidentiary issues concerning the
20 Confirmation Hearing, including but not limited to any
21 outstanding motions in limine, the schedule for the
22 Confirmation Hearing, details concerning the presentation of
23 testimony, and the pre-admission of exhibits to be offered at
24 the Confirmation Hearing.

25 The Confirmation Hearing will commence on August

1 17th, 2022, and will continue as needed on August 18th, 2022.
2 It will be held in conjunction with the scheduled Omni, which
3 has been scheduled for those dates as well, so those two will
4 coincide.

5 Mr. Ma, do you have any questions for us or further
6 comments to this motion?

7 MR. MA: I don't have any. Thank you, Your Honor.

8 THE COURT: Thank you, Mr. Ma, and thank you for your
9 presentation and your undertakings.

10 Is there any other counsel who wishes to raise an
11 issue to be addressed today?

12 I don't see any hands raised.

13 So, Judge Dein, did you have any further remarks?

14 MAGISTRATE JUDGE DEIN: No. Thank you.

15 THE COURT: Thank you.

16 This concludes the hearing agenda for this hearing.

17 The next scheduled hearing is the June 29th, 2022, Omnibus
18 Hearing. Like today's hearing, that hearing will occur over a
19 combination of Zoom and a listen-only telephone line. We will
20 be hopeful that we will not have the sorts of technical
21 difficulties that we have had today, for which I again
22 apologize.

23 In light of the proposed HTA confirmation schedule,
24 the August 10th Omnibus Hearing is adjourned to August 17th,
25 and will coincide with the HTA Confirmation Hearing. I expect

1 to conduct the August Confirmation and Omnibus Hearings in San
2 Juan, conditions permitting, and an appropriate procedures
3 order for the August Omnibus Hearing and the HTA Confirmation
4 Hearing will be issued in due course.

5 As always, I thank the court staff in Puerto Rico,
6 Boston, and New York for their work in preparing for and
7 conducting today's hearing, and their continued ongoing work
8 in the administration of these cases.

9 Stay safe and keep well, everyone. We are now
10 adjourned.

11 (At 11:10 AM, proceedings concluded.)

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1 U.S. DISTRICT COURT)
2 DISTRICT OF PUERTO RICO)

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4 I certify that this transcript consisting of 40 pages is
5 a true and accurate transcription to the best of my ability of
6 the proceedings in this case before the Honorable United
7 States District Court Judge Laura Taylor Swain, and the
8 Honorable United States Magistrate Judge Judith Gail Dein on
9 June 17, 2022.

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13 S/ Amy Walker

14 Amy Walker, CSR 3799

15 Official Court Reporter

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